

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: 35th District Courthouse Authority	County Wayne
Audit Date December 31, 2003	Opinion Date February 17, 2004	Date Accountant Report Submitted To State: April 16, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 350 South Main Street, Suite 200	City Ann Arbor	State MI	ZIP 48104-1923
Accountant Signature 			

35th District Courthouse Authority

Financial Report
December 31, 2003

35th District Courthouse Authority

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Independent Auditor's Report

To the Board of Directors
35th District Courthouse Authority

We have audited the accompanying general purpose financial statements of the 35th District Courthouse Authority as of December 31, 2003 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the 35th District Courthouse Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the 35th District Courthouse Authority as of December 31, 2003 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

February 17, 2004

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35th District Courthouse Authority

	Governmental Fund Types		
	General	Capital Projects	Debt Service
Assets			
Cash and cash equivalents (Note 2)	\$ -	\$ 3,125	\$ -
Due from State of Michigan 35th Judicial District Court	146,254	-	-
Capital assets (Note 4)	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Total assets	<u><u>\$ 146,254</u></u>	<u><u>\$ 3,125</u></u>	<u><u>\$ -</u></u>
Liabilities and Fund Equity			
Liabilities			
Due to State of Michigan 35th Judicial District Court	\$ -	\$ 2,535	\$ -
Capital lease payable (Note 5)	-	-	-
Long-term debt (Note 5)	-	-	-
Total liabilities	-	2,535	-
Fund Equity			
Investment in general fixed assets (Note 4)	-	-	-
Fund balance - Unreserved - Designated for capital improvements	146,254	590	-
Total fund equity	146,254	590	-
Total liabilities and fund equity	<u><u>\$ 146,254</u></u>	<u><u>\$ 3,125</u></u>	<u><u>\$ -</u></u>

**Combined Balance Sheet - All Fund Types and Account Groups
December 31, 2003**

Account Groups		Totals (Memorandum Only)	
		December 31	
General Fixed Assets	General Long-term Debt	2003	2002
\$ -	\$ -	\$ 3,125	\$ 4,825
-	-	146,254	141,254
8,636,156	-	8,636,156	8,606,085
-	4,191,700	4,191,700	4,395,853
<u>\$ 8,636,156</u>	<u>\$ 4,191,700</u>	<u>\$ 12,977,235</u>	<u>\$ 13,148,017</u>
\$ -	\$ -	\$ 2,535	\$ 4,260
-	341,700	341,700	445,853
-	3,850,000	3,850,000	3,950,000
-	4,191,700	4,194,235	4,400,113
8,636,156	-	8,636,156	8,606,085
-	-	146,844	141,819
8,636,156	-	8,783,000	8,747,904
<u>\$ 8,636,156</u>	<u>\$ 4,191,700</u>	<u>\$ 12,977,235</u>	<u>\$ 13,148,017</u>

35th District Courthouse Authority

Statement of Revenue and Expenditures All Governmental Fund Types

	Year Ended December 31				
	General	Capital Projects	Debt Service	2003	2002 (Memorandum Only)
Revenue					
Base rental revenue (Note 6)	\$ 354,224	\$ -	\$ 280,700	\$ 634,924	\$ 646,467
Additional rental revenue (Note 6)	78,246	-	-	78,246	46,975
Interest income and other	-	25	-	25	75
Total revenue	432,470	25	280,700	713,195	693,517
Expenditures					
Utilities	97,215	-	-	97,215	105,502
Building maintenance	92,977	-	-	92,977	100,505
Insurance	33,077	-	-	33,077	28,376
Capital outlay	73,246	-	-	73,246	48,420
Debt service	130,955	-	280,700	411,655	412,084
Total expenditures	427,470	-	280,700	708,170	694,887
Excess of Revenue Over (Under) Expenditures	5,000	25	-	5,025	(1,370)
Fund Balances - Beginning of year	141,254	565	-	141,819	143,189
Fund Balances - End of year	<u>\$ 146,254</u>	<u>\$ 590</u>	<u>\$ -</u>	<u>\$ 146,844</u>	<u>\$ 141,819</u>

35th District Courthouse Authority

Statement of Revenue and Expenditures Budget and Actual General and Debt Service Funds Year Ended December 31, 2003

	General Fund			Debt Service Fund		
	Budget	Actual	Variance	Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)
Revenue						
Rental revenue	\$ 354,494	\$ 354,224	\$ (270)	\$ 280,325	\$ 280,700	\$ 375
Other revenue	<u>88,600</u>	<u>78,246</u>	<u>(10,354)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	443,094	432,470	(10,624)	280,325	280,700	375
Expenditures						
Utilities	93,700	97,215	(3,515)	-	-	-
Building maintenance	99,400	92,977	6,423	-	-	-
Insurance	30,610	33,077	(2,467)	-	-	-
Capital outlay	83,600	73,246	10,354	-	-	-
Debt service	<u>130,784</u>	<u>130,955</u>	<u>(171)</u>	<u>280,325</u>	<u>280,700</u>	<u>(375)</u>
Total expenditures	<u>438,094</u>	<u>427,470</u>	<u>10,624</u>	<u>280,325</u>	<u>280,700</u>	<u>(375)</u>
Excess of Revenue Over Expenditures	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

35th District Courthouse Authority

Notes to Financial Statements December 31, 2003

Note I - Summary of Significant Accounting Policies

The 35th District Courthouse Authority (“DCA”) was established in 1989 upon approval of an Interlocal Agreement by and among the DCA member District Control Units pursuant to the provisions of the Urban Cooperations Act, Act No. 7 of the Michigan Public Acts of 1967, as amended. The member District Control Units include the Cities of Northville and Plymouth and the Charter Townships of Canton, Plymouth, and Northville. One purpose of the DCA is to establish a joint entity to lease, acquire, own, operate, and dispose of the Courthouse Building occupied by the State of Michigan 35th Judicial District Court (the “Court”) for the mutual use and benefit of the District Control Units, who are also members of the Court. The DCA is comprised of a five-member Board of Directors consisting of one representative from each member city or township.

The accounting policies of the DCA conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The accompanying general purpose financial statements have been prepared in accordance with criteria established by Governmental Accounting Standards Board Statement Number 14, *The Financial Reporting Entity*, for determining the various governmental organizations to be included in the reporting entity.

The 35th Judicial District Building Authority (the “Building Authority”) was established on December 7, 1998 and is governed by a five-member board consisting of one representative from each member city or township. Although legally separate from the 35th District Courthouse Authority, the Building Authority is included as a Capital Projects Fund because its primary purpose is to finance and construct the Courthouse Building. Building Authority operations consist of the issuance and repayment of debt and the construction of facilities, all of which are recorded in the appropriate Courthouse Authority funds. The financial statements of the Building Authority are blended into the financial statements of the Courthouse Authority as follows:

- a. The assets of the Building Authority held for payment and administration of outstanding bond issues and other related debt are reported in a Debt Service Fund.
- b. The assets and liabilities of the Building Authority related to construction projects are reported in the Capital Projects Fund.
- c. Fixed assets of the Building Authority are reported in the General Fixed Assets Account Group.

35th District Courthouse Authority

Notes to Financial Statements December 31, 2003

Note I - Summary of Significant Accounting Policies (Continued)

- d. Remaining amounts due on bonds issued by the Building Authority and other related debt are reported in the General Long-term Debt Account Group.

Fund Accounting

The accounts of the DCA are organized on the basis of funds and account groups, each of which is considered a separate accounting entity.

Governmental Funds

General Fund - The General Fund contains the records of the ordinary activities of the DCA. These activities are supported by rental and other revenue received from the State of Michigan 35th Judicial District Court.

Capital Projects Fund - The Capital Projects Fund is used to account for the development of the Courthouse Building.

Debt Service Fund - The Debt Service Fund is used to account for payments of the principal, interest, and expenses in conjunction with the bond issued for construction of the Courthouse Building.

Basis of Accounting

Governmental funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue is recorded when received, except in cases where it is both measurable and available to finance expenditures of the current period.
- b. Interest on long-term debt is not recorded as an expenditure until its due date.
- c. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- d. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Fixed Assets and Long-term Liabilities - Fixed assets used in governmental fund-type operations are accounted for in the General Fixed Assets Account Group, rather than in the governmental fund. Such assets are recorded as expenditures at the time of purchase. No depreciation has been provided on general fixed assets.

All fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-term Debt Account Group, not in the governmental fund.

The General Fixed Assets Account Group and the General Long-term Debt Account Group are not funds and do not involve the measurement of results of operations.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Memorandum-only Totals - The total data presented is the aggregate of the fund types and account groups and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

Other accounting policies are disclosed in other notes to the financial statements.

Note 2 - Deposits

Deposits were reflected in the accounts of the bank at \$3,125. The entire amount was covered by federal depository insurance.

Note 3 - Budget Information

The annual budget is prepared by the Court Administrator and adopted by the DCA and Building Authority Boards; subsequent amendments are approved by the DCA and Building Authority Boards. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2003 has not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement (statement of revenue and expenditures - budget and actual - General and Debt Service Funds) is presented on the same basis of accounting used in preparing the adopted budget.

35th District Courthouse Authority

Notes to Financial Statements December 31, 2003

Note 3 - Budget Information (Continued)

The budget has been adopted on an object (line-item) basis. A comparison of actual results of operations to the General Fund and Debt Service Fund budgets as adopted by the DCA and Building Authority Boards are included in the general purpose financial statements.

Note 4 - Capital Assets

A summary of changes in general fixed assets is as follows:

	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
Assets:				
Office furniture	\$ 361,278	\$ 941	\$ -	\$ 362,219
Office equipment and other	141,849	11,030	-	152,879
Telephone equipment	62,335	-	-	62,335
Computer equipment	241,182	44,797	53,075	232,904
Vehicle	42,448	-	-	42,448
Courthouse equipment	18,146	26,378	-	44,524
Building	<u>7,738,847</u>	<u>-</u>	<u>-</u>	<u>7,738,847</u>
Total assets	<u>\$ 8,606,085</u>	<u>\$ 83,146</u>	<u>\$ 53,075</u>	<u>\$ 8,636,156</u>
Investments in general fixed assets financed from:				
Operating fund revenue	\$ 8,596,453	\$ 83,146	\$ 53,075	\$ 8,626,524
Public contributions	<u>9,632</u>	<u>-</u>	<u>-</u>	<u>9,632</u>
Total investment in general fixed assets	<u>\$ 8,606,085</u>	<u>\$ 83,146</u>	<u>\$ 53,075</u>	<u>\$ 8,636,156</u>

Note 5 - Long-term Debt

Outstanding Debt - During the year ended December 31, 1999, the 35th Judicial District Building Authority issued general obligation bonds in the amount of \$4,250,000 to assist in funding the construction of the new Courthouse. Repayment of this bond is funded by the 35th Judicial District Court, which leases this building.

35th District Courthouse Authority

Notes to Financial Statements December 31, 2003

Note 5 - Long-term Debt (Continued)

Debt Service Requirements - The annual requirements to service all debt outstanding as of December 31, 2003, including both principal and interest, are as follows:

2004	\$ 325,075
2005	319,075
2006	361,975
2007	353,675
2008	345,175
Remaining years	<u>3,737,787</u>
Total	5,442,762
Less portion representing interest	<u>(1,592,762)</u>
Present value at December 31, 2003	<u>\$ 3,850,000</u>

Interest - Total interest incurred for the Debt Service Fund for the year approximated \$180,700.

Capital Leases - The DCA leased the former 35th District Courthouse from the City of Plymouth under an agreement that constitutes a capital lease. Although the building was lost to fire during 1997, this lease will still be paid through the lease expiration date in June 2006.

The future minimum lease payments under this agreement for the years ending December 31, 2004 through December 31, 2006 and in total are as follows:

2004	\$ 126,157
2005	130,019
2006	<u>130,025</u>
Total	386,201
Less portion representing interest	<u>(44,501)</u>
Present value at December 31, 2003	<u>\$ 341,700</u>

Total expenditures related to these lease obligations amounted to \$130,955 for the year ended December 31, 2003.

35th District Courthouse Authority

Notes to Financial Statements December 31, 2003

Note 6 - Rental Revenue

The DCA leased the former Courthouse Building, destroyed by fire during 1997, and furnishings to the State of Michigan 35th Judicial District Court under an operating lease. Rental revenue amounted to \$130,955 for the year ended December 31, 2003.

The Building Authority leased the new Courthouse Building to the State of Michigan 35th Judicial District Court under an operating lease. The total rental revenue, including utilities, maintenance, and insurance, amounted to \$503,969 for the year ended December 31, 2003.

In addition, during the year ended December 31, 2003, the DCA received \$78,246 from the Court representing funding for various current and future capital outlay expenditures. This amount was recorded by the DCA as additional rental revenue.

Note 7 - Risk Management

The DCA is exposed to various risks of loss related to property loss and torts. The DCA has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 - Upcoming Reporting Change

For the year beginning January 1, 2004, the Court plans to adopt GASB Statement No. 34. This will dramatically revise the information being reported in these financial statements. Governmental activities will report information by individually significant fund, as well as in total on the full accrual basis of accounting. Information is not available to present pro forma data that would show the effect of this future change.